



The US market introduction of an European Sports Nutrition Brand

Final Project

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Executive summary

The US sports nutrition market is the biggest sport nutrition market in the world (\$4.7 billion, 60% world share) and is growing at a 7% annual rate. The market is crowded of supplement brands both in the strength gainers and endurance athletes segments. However, it is suggested that there is space for a company that markets high benefit products to the serious endurance athlete.

The proposed solution consists in importing product from a science-based and free-of-banned-substances European brand (Powergmy). Despite some import procedures have to be followed and paperwork is needed, the import of supplementation products do not require pre-market approval by the Federal Drug Administration (FDA); only correct labeling and following certain manufacturing rules. Import taxes are around 6–7% and using freight forwarders and third party logistics is recommended. Warehousing and shipping operations should be outsourced. Marketing, sales and management should be the core activities of the importer.

After analyzing the competition and looking at what the leading brand does (Hammer Nutrition), it is recommended that the product portfolio is restructured so that consumers understand better the benefits of every product. Additionally, the marketing activity should be able to target and appeal the endurance athlete more successfully.

The project is projected to be profitable within 4 years and an austere paid advertising campaign within the first year is recommended. The company should take advantage of social media and viral technologies to increase brand awareness in a limited budget. The outsourced logistic activity gives the flexibility to operate in a wide range of sales volume at a contained cost; with low barriers of exit in case the company goes out of business.

Introduction

The United States Sport Nutrition Market is the biggest in the world and is growing at a 7% annual rate. This category includes protein powders, ready to drink (RTD) protein products, protein bars and non-protein products. There has been detected a market opportunity in non-protein products, which account for 10% sales (\$440 million) of the category.

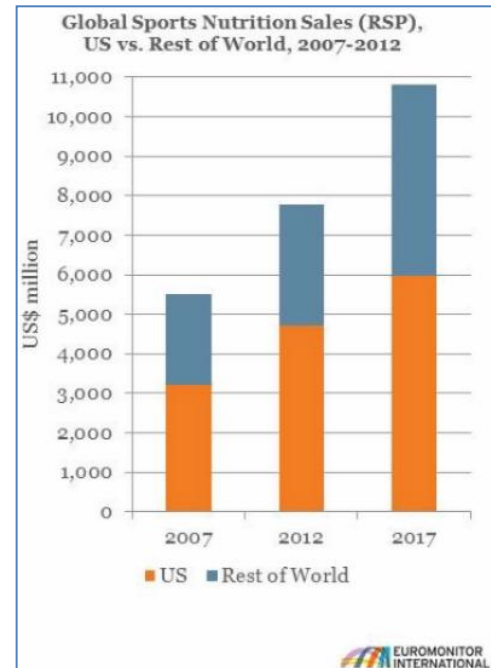
The author believes that there is space for a free-of-banned-substances and scientific-based brand that offers advanced products to the endurance athlete (runners, triathletes, etc.); which mainly fall in the non-protein category. The approached solution consists in importing and distributing product to the US from an European supplementation brand: Powergym, based in Barcelona (Spain).

This project studies the Sports Nutrition Market as a global, studies the competition in the endurance segment and analyzes the endurance athlete needs, concerns and pain points. Then, operational matters such as import procedures and the supply chain approach are discussed and a recommendation will be made.

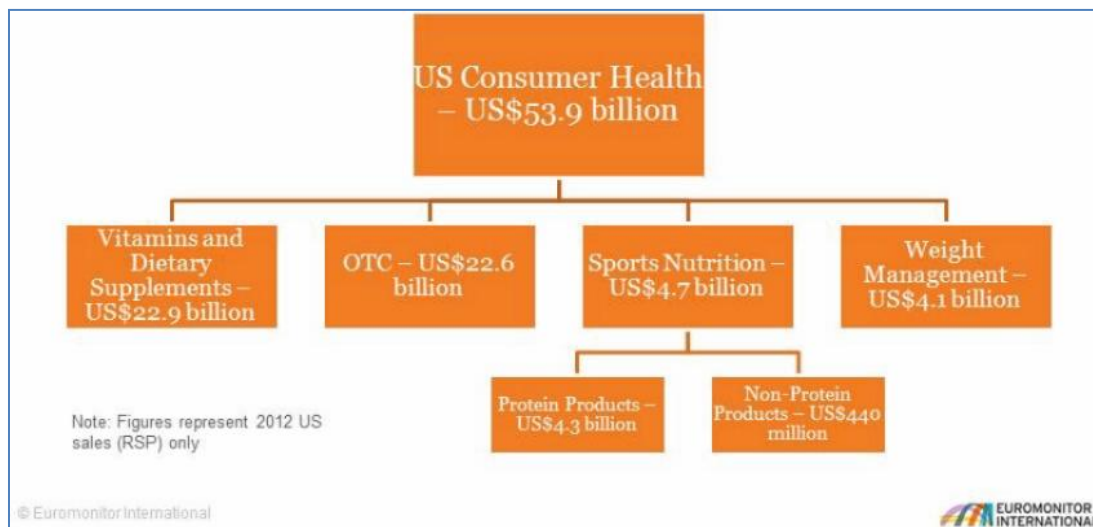
Market Analysis

Definitions

- Sports Nutrition: Products that enhance physical endurance, muscle development, speed and recovery after exercise. It focuses on serious athletes and gym-goers and their main purpose is to build muscle and to boost energy. Mainstream sports foods such as Gatorade, Redbull, etc. (Soft Drinks) or energy/low protein bars (Packaged Foods) are NOT included in the category.
 - a. Protein Products: this category includes products that are mainly composed of protein. Examples are protein bars, protein powders, protein RTD and other protein products.
 - b. Protein Bars: Only those with more than 20gr of protein per serving are considered protein bars.
 - c. Powder: powder products that can be made into a drink or mixed with food. This includes whey, soy and egg protein powders.
 - d. Other Protein: Tablet, gel or shot containing protein.
- Non-Protein Products: Products that do not have protein as their main ingredient. They can be positioned as energy-producing, endurance, recovery, strength improvers, amino acids, carbohydrates, creatine, nitric oxide precursors, etc. This is the segment we intend to focus on.

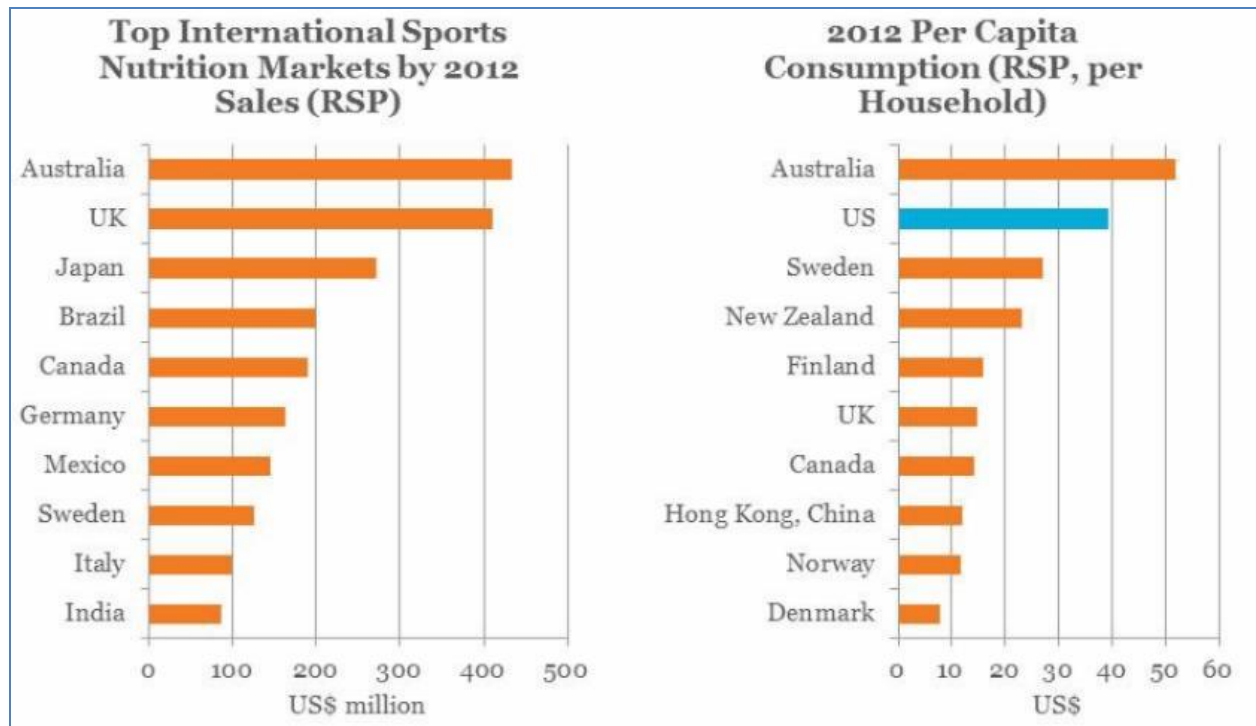


The evolution of the sports nutrition market

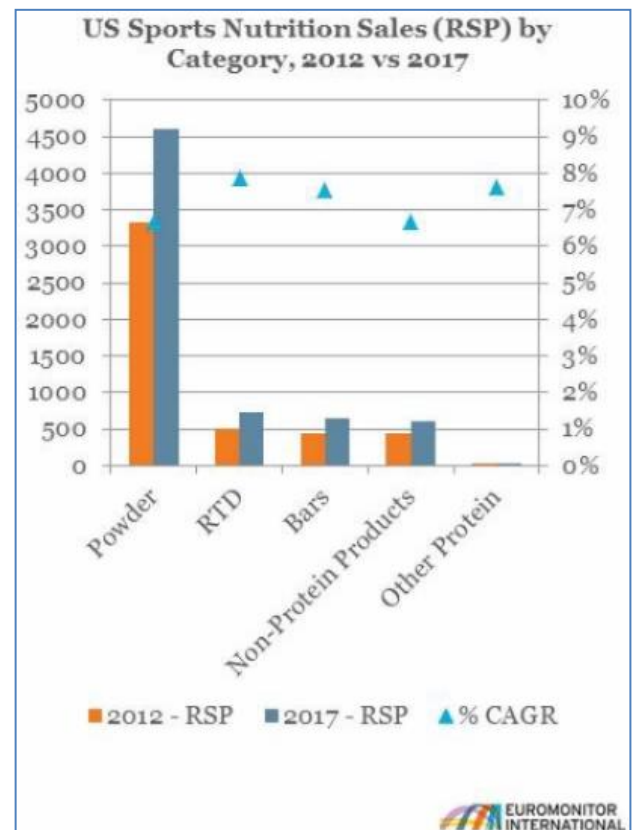


The US market of Sports Nutrition is a \$4.7 billion market, with \$4.3 billion for protein products and \$440 million for non-protein products. It is by far the largest and oldest market worldwide. 2012 Retail sales grew by 13% and accounts for 60% of the global market. Despite its relative maturity, it is expected that it will keep growing in pace with the worldwide market.

It is the largest market worldwide but the second in terms of spending per household, second to Australia. This is because in Australia other uses than the traditional sport consumption were given to the category. For instance, pre-workout supplements were used by workers to stay awake longer. Additionally to this, globally consumption is very affected by local diets in every country, distribution regulation and the infrastructure around leisure.



Despite being the largest market worldwide, it will keep growing and it is expected to go from the current \$4.7 billion to \$6.6 billion in 2017. The Compound Annual Growth Rate (CAGR) of 7% is in line with the global growth rate, despite the US market maturity, because of the need for new products and the changes in dietary perceptions of the population. Other factor influencing this is a favorable regulatory environment, a better retailer uptake, and the reimagining of the category.

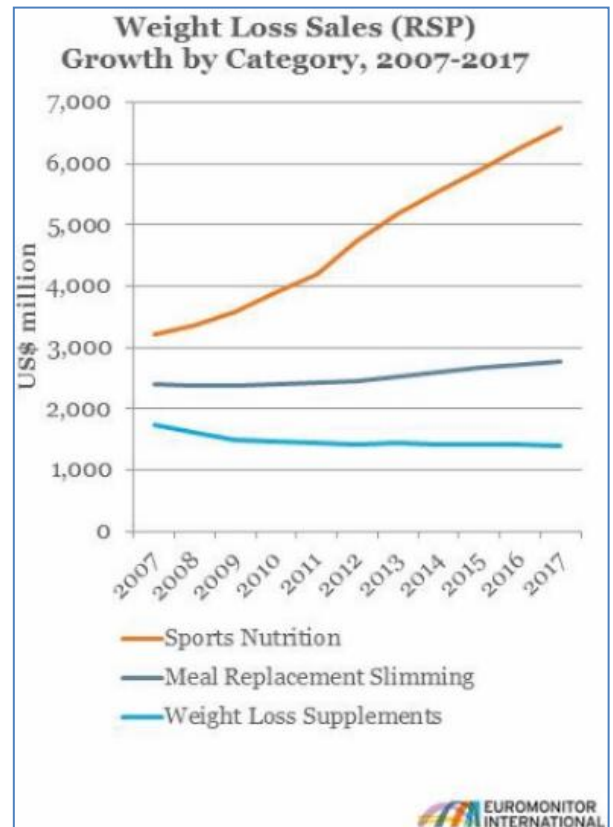


Protein powder accounts for 70% of retail sales, while RTDs, Bars and non-protein products (including creatine, amino acids, pre-workouts, etc.) account for 10%

of sales each. Other Protein such as gels or shots don't have a significant market share.

Changing the perception of the magic pill

Over the past decade, obese Americans have grown from a 67.5% to 69.3% considering the Body Mass Index (BMI) as the indicator; not surprisingly this issue is seen as a public health problem. The Media is making echo of this news and publications; and increasing content about fat loss, special diets and high coverage on fiber and protein are changing the "Silver Bullet" mentality. People of America is increasingly changing it's "believe in a magic pill" that can solve all their health and fitness problems and starts to understand that they have to change their health and fitness habits. Therefore, they are increasingly changing their diet, exercise and supplementation patterns to lose weight or become healthier. Running is seen as a healthy activity.



Baby boomers look at exercise and protein as a health therapy; but generation X (60's to 80's) and Y (80's to 2000) are embracing endurance sports. To highlight this fact, one can see that runners who completed a Marathon increased by 80% from 2001 to 2011, reaching half million athletes. Endurance-based training is becoming popular to young Americans. Additionally, Cross fit, Tough Mudder and Spartan Race are

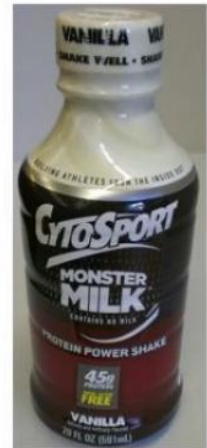
teaching to exercise and how to train to these demographics. Therefore, savvy sport nutrition brands attend these events to introduce their product to his demographics.

Beyond the hardcore user

Despite the constant growth rate experimented in the US sports nutrition market, this growth cannot be sustained by the hardcore users alone. Weekend warriors, casual athletes and dieters are joining the general health and wellness movement. This



Source: Flickr - Lizard10979



opens new opportunities for those users, which don't respond to extreme labeling and complicated formulations that define the hardcore category of strength trainers and bodybuilders. Therefore, brands can achieve success in mass channels by targeting (or repositioning) their products to general fitness rather than extreme fitness performance enhancer.

Despite the option of using distribution extension, companies can instead follow a brand extension approach to their products. As an example, CytoSport offers Muscle Milk (RTD), with incredible success on the mass market, as a brand extension of Monster Milk, which maintains its relationship with the core bodybuilding demographic. Another option is to use more convenient formats, such as GNC has done by offering chew instead of powder for glutamine.



Cliff is also entering the sport nutrition market beyond energy products with its “Builder’s” 20g protein bar. However, they have pushed thorough gels and other energy formats such as energy juice, shots, rehydration energy and so on in the Western European Union; but those products are novel in the US.

Retailers are also giving more shelf space to the category. Despite that the brick and mortar retailers such as GNC and Vitamin Shoppe and also the online sellers Bodybuilding.com and Amazon.com account for 50% of the sales; other warehouse chains like Target or Costco and also drugstores are gaining space in the US distribution landscape. Additionally, some of these chains offer private label powders; which not only give better access to customers but also is helping to reduce the misconceptions about the category. For exemple, Target offers in downtown Chicago the 10% of its shelf space to protein products.

Industry acquisitions

The industry is going through mergers and acquisition processes that will continue in the future not only around vitamins and dietary supplements but also within Sport Nutrition market as well. The buyers come from an array of sectors such as pharmaceutical, ingredient and Consumer Packaged Goods (CPG) companies.

For pharmaceutical companies, supplements are becoming a big part of their non-prescription portfolio; and they also

Recent Sports Nutrition Deals by Non-Traditional CH Players in the US		
Target	Acquirer	Acquired
Fair Oaks Farms Brands, Inc	The Coca-Cola Co	December 2012
Vega	VMG Partners	February 2012
Soluble Products Co Lp	Associated Brands LP	January 2012
Designer Whey brand (Next Proteins Inc)	Athena Wellness Brands, LLC	April 2011
Dymatize Enterprises LLC	TA Associates Management LP	January 2011
Bio-Engineered Supplements & Nutrition Inc	Glanbia Plc	January 2011
NBTY Inc	The Carlyle Group LP	October 2010
Optimum Nutrition Inc	Glanbia Plc	August 2008

have the manufacturing capacity and the scientific expertise. Additionally, they help to better the image of the category. However, major acquisitions from these companies have not been done in the US but in the UK.

Ingredient companies can benefit from the synergies of acquiring a sport nutrition company, specially if they already supply the majority of the protein. That is the case of Optimum Nutrition Inc, bought by Glanbia Plc in August 2008. Other mergers of this type have occurred in the UK.

CPG companies in the beverages and packaged goods industries have the experience to launch mass offerings and the market, branding and distribution expertise to benefit from capitalizing in the mass market potential of the category.

The King: Protein

As said before, Protein Powder accounts for 70% of total sales of the US. Among them, Whey protein is the king; with fast absorption, natural test, relative low cost and offers benefits both to consumers and producers. Isolate is the premium protein type because is the most filtrated type, with less fat and carbohydrates per gram.

Protein blends are the premium segment for sophisticated users, with the advantage that different absorption rates for different types of proteins offer better muscle gain and recovery; which might be better than whey protein alone. Combat Powder from Muscle Pharms, ProtoGym from Bodybuilding.com and other refined protein blends are gaining interest from consumers that look for advanced protein solutions; at a premium as much as 25% more.

Soy protein, and plant protein such as brown rice protein is gaining esteem among both producers and consumers to cover the mass health and wellness movement and to give an answer to the needs of vegetarian and natural consumers. There are also genetically modified organism (GMO) free and gluten free solutions.

Pre-workout supplements get attention

Sport pre-workouts has been recently the most hottest area of innovation. There is scientific evidence of the benefits of their main ingredients such as BCAA (Branched Amino Acids), caffeine and B-alanine. However, there has been a huge concern about DMAA, somewhat used by this product but slowly eradicated from the marketplace. This is because news from US soldiers killed by DMAA abuse and other related unfavorable media.

There are substances that are not considered as supplements by the FDA (such as DMMA) that are being discontinued in all products. Because of these concerns, third party certifications backing the “free from banned substances” claim are becoming increasingly more important. The most used pre-workout supplement is the Muscle Pharm Assault pre-workout supplement.

In this pre-workout (non protein) category, other important products are the stimulant free pre-workouts, such as Magnum's Opus. This means they exclude caffeine and other awareness substances for those too sensitive or training late in the evening. This type of pre-workouts have the potential of exploding in case that some caffeine regulation becomes a reality in the US and also are more appealing to the mass market.

Sport Nutrition targets other categories

Sport nutrition brands are also targeting parallel industries such as vitamin and dietary supplements due to its similar demographics and crossover appeal. These products include joint, immune health, fish oils, pill supplements, multivitamin products. Companies such as Optimum



Nutrition (ON) have capitalized on their customer base to launch sports-themed multivitamin packs that generate extra revenue. Some producers are taking organic and all natural formulation to increase the appeal among non-traditional users. Vega is an example of this, a popular health & wellness brand that offers all-natural and plant based protein powder, as they have grown quickly in high-end natural retailers such as Whole Foods Market Inc in the US.

Food formats push the category

Grab'n go, RTD, snacks, chews, gels and other convenient formats could get more casual users in the category as they offer significant appeal to them. They function as an impulsive sales in the point of sale, despite being more expensive per serving and appealing less to core



users who prefer to buy in bulk. In Europe gels have been popular since time ago but they are novel in the US; which have an acceptable cost per serving. There is potential for convenient formats among endurance athletes that have to carry the products during their workouts.

Gatorade G Series entered the market in 2011 with pre-workout and 20gr protein RTD. They targeted 20–20 year olds who might have played sports in high school or college and that train 3 or more times per week with intensity. This approach didn't work out because G Series was an entry level family of products to advanced users at high prices, which were required to pay more for branding and convenience.

Market Conclusions

Sports nutrition's consumer potential remains largely untapped. The growing fitness interest from non-traditional consumers and a greater willingness among mass retailers to promote products is creating a perfect storm of supply-side push and demand-side pull for the sports nutrition category.

Increasing polarization of consumer base demands greater attention to detail in marketing. CPG producers should take cues from the health & wellness industry, as extreme claims, aggressive packaging and suspect formulations are likely to fall flat with grocery and drugstore shoppers. Those targeting the hardcore base will need to focus on meaningful innovation and powerful ingredients. Any foray into mass channels will need to be weighed heavily against the potential to alienate the core user base. Brand extensions, instead of pure distribution expansion, could prove to be the best solution.

Category crossovers present opportunities for players within and without sports nutrition. Obvious crossover potential will lead to a further blurring of the lines with establishes categories like VDS, packaged foods and beverages. Traditional producers could benefit from meaningful ingredients offerings like B vitamins,

glucosamine/chondroitin and fish oils. Snack producers could look to high-protein bars and RTD's to energize relevant brands.

Because of the Gatorade experience with the G series, it seems that you cannot be everything. You cannot be sports drinks and sport nutrition. You cannot be mainstream and elite niche at the same time, the consumer doesn't believe you or doesn't understand your value proposition.

While the mainly targeted demographics for core products are male users at their mid 30's involved in strength training that spend money on high quality products; there is potential for RTDs to target the casual users that train once or twice per week and that buy their products in convenience channels such as CVS or 7eleven. This last approach can be followed by positioning the products as general health and fitness products similarly as premium fruit juice products do. There are also opportunities in female lines of products.

Despite the use for protein is now generalized, as retailers become familiar with the category it is possible that in the next years protein uses become more differentiated and segmented targeting differently to sport, health or wellness.

Marketing Analysis

The marketing analysis will focus on three main points. The first one is our targeted customers. We ideally should know who and where they, how much money do they have to spend... but more important we should know how they **behave**: how they get in touch with the brands they consume, where do they buy



their products, in which events and competitions they get involved and compete, who they trust, who are their influencers, how they assess the decisions about the products they consume, from who they take into account their opinions and so on. As this is the most important part of our customers we will focus on this.

The second point is the competition. We should scan and analyze the marketplace in search of direct and indirect competitors. We have to realize which our direct competitors are, how do they look like, which message and values they spread, how they market themselves, how they advertise and which size do they have. We also have to have a look on substitute products, because they compete with our products in the customer mind when making a decision.

The third point is about analyzing ourselves and defining our identity, our DNA. The brand DNA is the strategic foundation from which everything emanates and that guides all internal actions and all external executions. We should define our brand, state the benefits of our product, our essence, and realize what our roots are. What the brand DNA is about needs to be defined in order to know how to interact with customers at every touch point (moments of truth).

Our Customers

Our desired customers are within the endurance athletes. Those could be categorized into elites, serious athletes, weekend warriors and mass consumers. Elite athletes are those who train and compete for a living or for world class championships in any endurance discipline. As not all sports have the same economic support from sponsors, some elites might be able to make a living from their sport (even a very good living); while others may only get very expensive gear, training and support for free. With a wide range depending on the discipline, they can train between 25 and 35 hours a week.

Serious athletes are those who don't make a living (or close to) from their sport but train as hard or nearly as hard as elite, but without the sponsorships and free stuff that the elite has. They normally have another way of making a living and practice their sport in their free time, which can be seen like a second job. They are the most informed, knowledgeable and experienced athletes after the elites and typically spend big money on their sport. They dedicate approximately between 15 and 25 hours of training a week depending on the discipline.



Weekend warriors are those who take their training very seriously but that do not or cannot dedicate more than 5 to 10 hours a week to their sport. The mass consumer is that who sees sport either as a healthy habit, an enjoying activity or a fat-loss method. They spend less time than weekend warriors, typically less than 3 hours a week.

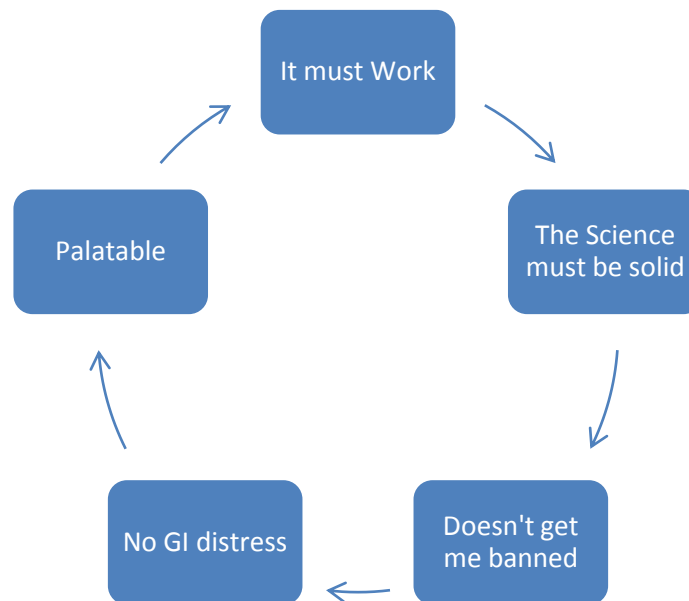
The suggested approach is to focus on the first three segments and exclude the mass consumer segment. This is because of three factors. The first is that it is difficult to justify to the mass consumer, which is not very informed about nutrition products, to pay the extra price for premium features. The second factor is a matter of marketing; as no brand has ever been able to sell both to mass and elite audiences. The last demonstration of this has been the recent attempt (and failure) of Gatorade to enter more advanced segments with its G Series line of products. They have not succeeded because they are offering entry level products to advanced users at higher prices.

The third and more important factor is that **elites, serious athletes and weekend warriors share, with very few variations, the same needs and pain points**. This by itself justifies targeting them together with same products and benefits. A good approach seems to offer “essential” products, such as electrolyte hydration and energy, to the three segments and then offer more specialized products as the client approaches to elite.

Customer Needs

The following figure represents the needs for our target of elites, serious amateurs and weekend warriors. The first one is that the product must work. If possible, objective quantities should be demonstrated “it works and works by that increase in performance, strength, etc.”. The second need is that the science must be solid, preferable backed by more numbers and partner studies (such as collaborations with public, academic, sports or health institutions). The third need is that the product must be free of banned substances, so that no prosecution to the athlete will be done. Additionally, it must not cause gastro intestinal distress. This is a huge concern as

digestion problems during a race are one of the worst things that can happen after injury. Finally, the product must not taste bad, preferably tasting good.



While all three segments above have the same needs, it can be said that elite are more exigent in performance improvement, absence of banned substances and gastro intestinal problems. Serious athletes and weekend warriors have more requirements to taste than elites, and require fewer guarantees versus banned substances. However, they prefer the “health” benefits of absence of banned substances and are also aware of the increasing substance controls in marathons and other competitions.

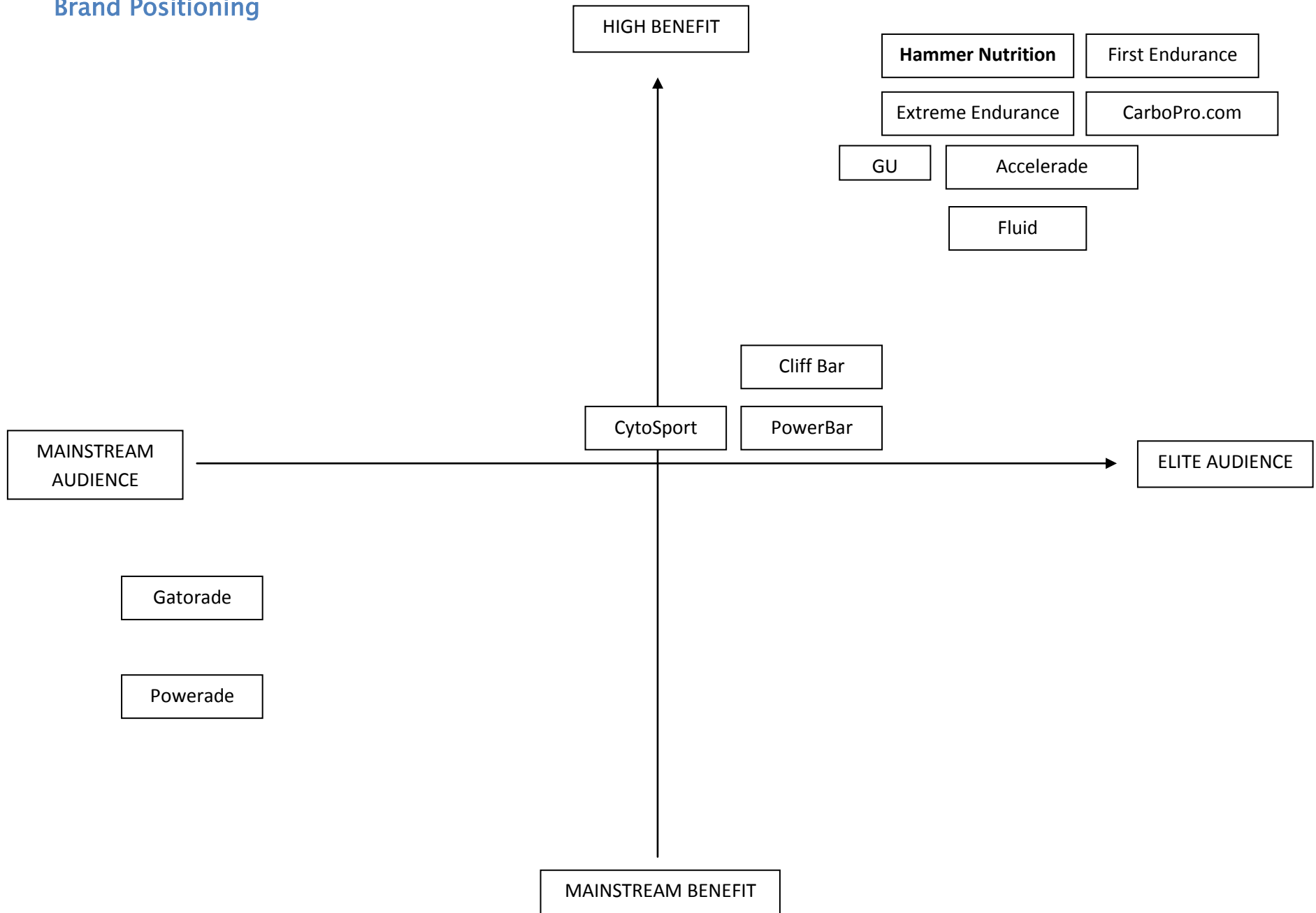
Pain Points

Their pain points and reasons to buy are as follow. As one can see, the first ones are common to everybody while the others are more typical of more advanced users.

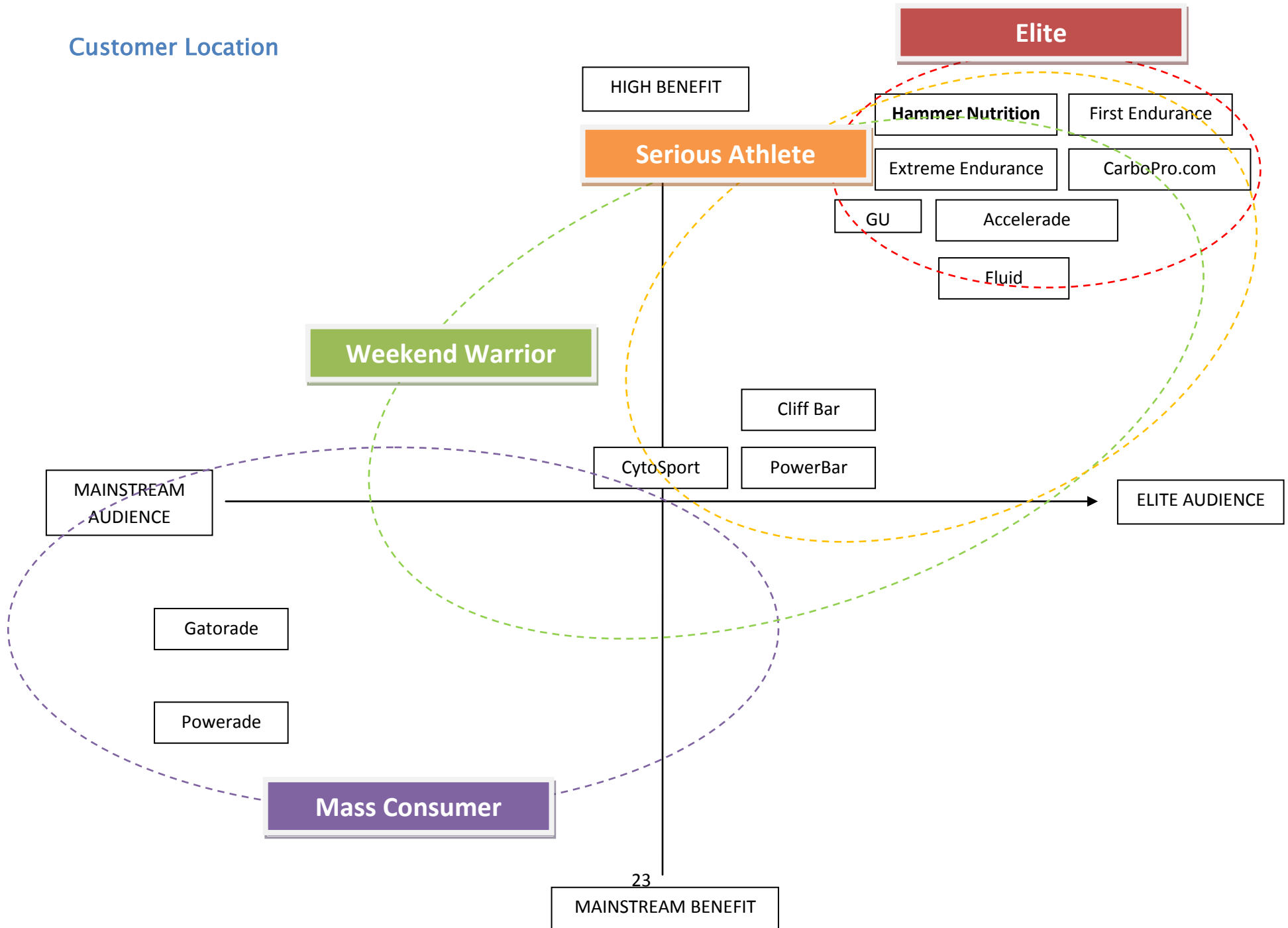
- They lose huge amounts of water and electrolytes during exercise and after 1 hour an adequate hydration is needed.

- They consume huge amounts of energy per hour and need additional fueling when the activity lasts more than 1 hour. If not properly fueled, their performance decreases drastically even their muscles are not that tired.
- They suffer a high mechanical and nutritional “stress” for the duration and frequency of their trainings and competitions. This can cause the following problems:
 - They perform worse day after day because of the accumulated training: They have not recovered between training sessions. Here is the opportunity for recovery products.
 - They are willing to train, they put themselves to the action and their body doesn’t respond. Their legs cannot follow their will’s suffering capability. This means that despite they sacrifice and put the effort and spend hours & miles on the road, their body can’t stand the mileage and just doesn’t perform at its normal times.
- Somebody they compete against is doing better times despite training the same. Hence, if the difference is not in the effort, is in the nutrition or supplementation.
- They suffer from issues related to huge amounts of training; such as a weak immune system, general low energy, nutrients scarceness, sleep problems, etc.
- They can injury their muscles or their joints either by overtraining or by an accident practicing sport.

Brand Positioning



Customer Location



Our Competition

Will be considered competitors those who target endurance athletes. Companies that focus on strength gainers are out of this analysis. Within the identified competitors, some offer only with a few specific products and others compete with a wide portfolio for the endurance athlete. There is a wide variety of portfolio offering, sales volume and marketing capability. However, the strongest company seems to be Hammer Nutrition.

Hammer Nutrition has the largest selection of products dedicated to the serious endurance athlete. Without analyzing the quality of their products, they



look like the strongest and most competitive brand on the market because of their wide product portfolio, abundant educational resources and above average marketing promotions. They promise great products, knowledge and customer service.

Their products seem to cover the needs of the target audience, and their extensive product range gives an answer to the pain points from weekend warriors to elites. They offer products under four main categories but they also offer cross products such as nutrients, organic coffee, training clothes, electro muscular stimulation, accessories (bottles, carry-alls, organizers, etc.), body care (lip stick, hand sanitizer, etc.), educational content & books (free in PDF format) and clearance items. Following are their main four categories along with nutrients. Their 5 top selling products are highlighted in bold:

1. Energy products such as **gels**, **electrolyte hydration**, **energy powder**, energy bars and protein bars.

2. Recovery products such as **recovery powder** (carbohydrates, protein and L-Glutamine), Anti-inflammation, water and fat anti oxidants, amino acids, sleep aid and protein powder (soy, whey and vegan).
3. Supplements such as **performance enhancers**, multivitamins and anti oxidant (with anti aging), anti fatigue, race boost and energy surge.
4. Other supplements such as prostate protection, weight loss and hormone control.
5. Nutrients like Omega 3, Xobaline and digestion caps.

Our Identity

Powergym was created 25 years ago when the founder, Joan Canals, came back from a trip to Germany and couldn't find the same high quality products in Spain. Since then, the brand has grown and incorporated many products both to for strength training and for endurance athletes.

It produces all its products in house and has the credentials of being recommended by the Spain's top Olympic training facility of Sant Cugat, Barcelona (a.k.a. Centre d'Alt Rendiment de Sant Cugat). Additionally, it has many athletes endorsing their products that compete at the highest levels. Its portfolio is as follows:

Energy and Recovery: Recuperox, Isopower, Nonoxid, Glutapower Plus, Power BCAA's and Extra Free Form.

Fatburn: Carnitin Diet Bar, Thermocarnitin XL, Thermofast, Metacif, Definition, Hydroxycrom, Vitadiet, Carnitin Plus, Lipotropico, GH activator and Reductor Gel.

Strenght and Performance: Energy Plus, Isowhey 100, Whey Plus, Powerbomb, Betapower, Nitric Power, Creaplus, Whey 50, Powermass, Dibencozide, T.Boost, Trec and Whey Bar.

General Health: Vitacomplex C+E, Powerjoint, B complex, Vitapower, Powerflex.

It seems that the branding and categorization of the products was initially focused on strength gainers rather than endurance athletes. Additionally, products seem to appeal to ingredients rather than functionality or problem to solve. This requires the customer to acquire more knowledge and information to use and buy these products. This approach might be good or bad for the European market, but revision both of their portfolio structure and products is recommended in this case.

The brand Powergym naturally targets strength gainers and doesn't represent the image it's willing to evocate. Some have pointed out that "Powergym" sounds more like a training facility; such as DiR or LA Fitness, rather than a supplement brand. The opportunities in the sports nutrition market are huge and it seems that Powergym could benefit from changes in their marketing approach. Rebranding, portfolio restructuring and product revision are recommended.

The competitor to look at: Hammer Nutrition

Hammer Nutrition has the largest selection of products dedicated to the serious endurance athlete. Without analyzing the quality of their products, they look like the strongest and most competitive brand on the market because of their wide product portfolio, abundant educational resources and above average marketing promotions. They promise great products, knowledge and customer service; as we can see in their catalog presentation:

“In this day and age, you may think that honest, customer-first business selling legitimate products have become extinct. Hammer Nutrition is a refreshing exception – no hype or chicanery, just great products, knowledge and service.

For more than 25 years, my singular mission has been to help serious endurance athletes like you reach their highest levels of athletic performance and physical health safely, naturally, and legally, one completely satisfied client at a time. My commitment to this mission is as strong today as it was in 1987.

Out continual growth, sterling reputation, and devoted following among serious endurance athletes is unrivaled in the marketplace for three reasons:

- 1. Extremely effective products*
- 2. Volumes of free knowledge*
- 3. Superlative customer service*

Give this catalog a thorough read, and then give us a call or go to our website to place an order today. We'll prove to you that we really are different.

I guarantee your satisfaction unconditionally – always have, always will.”

Brian Frank, Founder of Hammer Nutrition. 2013 Catalog.

In 1987 Brian and his father, Dr. Gerry S. Frank, co-founded E-CAPS, a supplement line geared for endurance athletes that now consists of 18 products. Brian and his wife were doing direct mail and then fulfilling orders thorough a 1-800 number from their San Francisco apartment's kitchen. They benefited from the 1990 sport activity of the baby boomers and the rising of nutritional science since 1980 to

growth their company. They started with E-Caps race caps (a multivitamin and antioxidant supplement for racers), opened a shop in 1995 and by 1998 they started building their current facility. In the 2000s they discontinued their old brand and integrated their products under Hammer Nutrition, began selling at retail stores (60% of sales nowadays), expanded into other categories and launched their sports drink in 2006.

They offer products under four main categories but they also offer cross products such as organic coffee, training clothes, electro muscular stimulation, accessories (bottles, carry-alls, organizers, etc.), body care (lip stick, hand sanitizer, etc.), educational content & books (free in PDF format) and clearance items. Their principal products are listed below, commercial name and product proposition under brackets along with Hammer's own description.

Fuels & Energy Drinks:

Gel (Hammer Gel: rapid energy that lasts): Rock-solid energy. Made with real fruit and wholesome ingredients. Versatile and economical. Gluten-free, vegan friendly, and MSG-free. Kosher Certified . Espresso and Tropical contain caffeine.

Sports Drink (HEED Sports Drink: high energy electrolyte drink): Steady, consistent energy. Buffer lactic acid. Help prevent cramps. Gluten-free and vegan friendly. Contains no MSG. Kosher Certified ([link: more info](#)). Won best of MTBR award for 05, 06, 08, 09, and 2010 ([link: read article..](#))

Sustained Energy powder/tablets (Perpetuem/Perpetuem Solids: endurance fuel for long distances): Consistent, stable energy. Easy to digest. Minimize lean muscle tissue cannibalization. Caffé Latte contains caffeine. Gluten-free and vegan friendly. Contains GMO-free soy protein. Contains no MSG. Kosher Certified. Won best of MTBR award in 2005 and 2006.

Energy Bar (Hammer Bar: the ultimate energy bar): Natural, all-organic ingredients. Delicious taste, moist texture, easy to digest. No preservatives, trans fats, additives, coatings, soy, peanuts, refined sugars, or dairy. Gluten-free, vegan friendly*, and GMO-free. Contains no MSG. Almond Raisin, Oatmeal Apple, & Cranberry (Kosher Certified). Chocolate Chip & Cashew Coconut Chocolate Chip – (Kosher Dairy Certified).

Whey Protein Bar (Hammer Whey Recovery Bar: the solid choice for enhanced recovery): High-quality whey protein (20gr). 70% organic ingredients. Gluten-free, GMO-free, certified dairy kosher. Amino acids with post-exercise benefits. Great tasting Peanut Butter-Chocolate.

Vegan Protein Bar (Hammer Vegan Recovery Bar: plant-powered recovery!): 14 grams of vegan protein per Chocolate Peanut bar. 15 grams of vegan protein per Almond Cacao bar. GMO-free, no soy protein. Gluten-free. Healthy fats. Easy to chew.

Electrolyte Capsules/Powder (Hammer Endurolytes: ELECTROLYTE REPLACEMENT DONE RIGHT): Rapidly assimilated electrolyte source. Superior cramp prevention. Full-spectrum electrolytes in a balanced formula. Versatile dosing for a variety of conditions. Offered in capsule or powder form. Gluten-free and vegan friendly.

Electrolyte Tablets (Hammer Endurolytes Fizz: a refreshing way to replenish electrolytes): Superior, full-spectrum electrolyte support. Effective cramp prevention. Convenient, rapidly dissolving effervescent tablets. Deliciously refreshing flavors. No refined sugars or artificial sweeteners. Free of undesirable manufacturing lubricants. Gluten-free and vegan friendly.

Sustained Energy powder (Hammer Sustained Energy: the original endurance fuel): Enjoy sustained energy, hour after hour. Easy to digest. Reduce muscle fatigue and recovery time. Gluten-free and vegan friendly. Contains GMO-free soy protein. Contains no MSG. Kosher Certified.

Recovery Products:

Recovery Powder (Hammer Recobrite: GLUTAMINE-FORTIFIED RECOVERY DRINK): Contains 3gr fast absorption carbohydrate per 1gr whey isolate protein. 3gr of L-Glutamine per serving. It does NOT contain vitamins or minerals (can be supplied by other products in more complete formulations). Hammer Description: Minimize post-exercise muscle soreness. Rebuild muscle tissue. Restore muscle glycogen. Made with natural ingredients. Gluten-Free. Contains no MSG. Kosher Dairy Certified.

Pain & Inflammation Reducer (Tissue Rejuvenator: JOINT PAIN RELIEF & TISSUE HEALTH): With Glucosamine sulfate (amino sugar raw material in cartilage, ligaments and

tendons), Chondroitin Sulfate (raw material for damaged cartilage, blocks activity of enzymes that break down cartilage), MSM (Methylsulfonylmethane, analgesic and anti-inflammatory reported to reduce arthritic joint pain and enhance wound healing), Tumeric (anti-inflammatory, antioxidant and anti-carcinogenic agent), Tissue Rejuvenator's Enzyme Blend (peptidase, bromelain, papain, amylase, lipase, cellulose and phytase to absorb nutrient components and provide anti-inflammation), Boswellia serrata (anti-inflammatory herb), Devil's Claw (anti-inflammatory), Yucca Root (combats osteoarthritis and rheumatoid arthritis), Quercetin (anti-oxidant and anti-inflammatory) and UC-II™ (Undenatured Type II Collagen to promote joint health).

Anti Oxidant, water soluble (Super Antioxidant: SUPERIOR RECOVERY & FREE RADICAL PROTECTION): With SOD (Superoxide Dismutase) and Grape Seed Extract, which help neutralize free radicals. Also with L-Glutathione (protein that protects individual cells), Ginkgo Biloba herb (enhance circulation and antioxidant), Gotu Kola herb (circulation and antioxidant) and Vinpocetine (dilate blood vessels and antioxidant). Hammer's description: Reduce free radical effects that impair recovery. Less muscle soreness and stiffness. Improve circulation. Build stronger immunity. Gluten-Free* and Vegan Friendly.

Branched Chain Amino Acids (Endurance Amino: AMINO AMMUNITION FOR YOUR MUSCLES): Branched Chain Amino Acids (BCAA) (L-Leucine, L-Isoleucine, L-Valine) that help delay exercise and nervous system fatigue, improve immune system reaction and enhance recovery. Contains Glutathione (antioxidant). Hammer's description: Decreases perception of fatigue and increase cognitive performance. Helps build, maintain, and repair lean muscle mass. Powerful immune system support. Gluten-Free and Vegan Friendly.

Anti Oxidant, fat soluble (AO Booster: SUPERCHARGE RECOVERY, IMMUNITY, & HEALTH): Fat soluble anti oxidants. Hammer's description: Supreme fat-soluble antioxidant support. Reduce post-workout muscle soreness and inflammation. Eye and skin-specific benefits. Gluten-Free and Vegan Friendly.

Sleep enhancer (REM Caps: BETTER SLEEP = BETTER PERFORMANCE): With Valerian Root extract (reduce stress, anxiety and insomnia), Melatonin (alleviates insomnia), 5-HTP (5-Hydroxy Tryptophan, prevents insomnia), Magnesium (sleep aid and muscle

relaxation) and Enzyme Enhancement System™ (proprietary blend of protease, amylase, cellulose, lipase and phytase. Digestive enzymes). Hammer's description: Improve quality and length of sleep. Enhance growth hormone release during sleep. Help relieve tension and anxiety. Antioxidant support. Gluten-Free and Vegan Friendly.

Soy Protein Powder (Hammer Soy) Premium vegetable soy protein. 100% GMO-free. Convenient way to increase your protein intake. Multiple health benefits. Gluten-Free and Vegan Friendly. Contains no MSG. Kosher Certified

Vegetal Protein Powder (Vegan Protein: PLANT-BASED PROTEIN POWERHOUSE): New protein powder product as a response to market trends. Hammer's description: Superior, unique blend of vegan proteins. GMO-free, gluten-free. Dairy-free, soy-free. Rich source of amino acids.

Whey Protein Powder (Hammer Whey: 100% WHEY PROTEIN ISOLATE): Maintain and repair lean muscle tissue. Superb immune system support. Minimize post-exercise soreness. 6 grams of glutamine per serving. Gluten-free, no artificial sweeteners. Contains no MSG. Kosher Dairy Certified.

Supplements:

Performance Enhancer, energy production (Race Caps: ENHANCE ENERGY, ENDURANCE, & RECOVERY): One of their **most sold products**. It offers vitamin E, TMG (Trimethylglycine, utilization of fatty acids for energy production), Inosine (ATP production and enhancer of oxygen carrying capacity in blood), Glycerol phosphate (used in the production of energy), and digestive aids (eight digestive enzymes). Suggested for competitive athletes.

Multivitamin (Premium Insurance Caps: MULTIVITAMIN/MINERAL SUPPLEMENT DESIGNED FOR ATHLETES): Multivitamins, calcium, magnesium, amino acid-chelate, flavonoid and enzymes. Hammer's description: Superior overall health support. Fill nutrient gaps in diet. More energy all day long. Better digestion. Gluten-Free.

Antioxidant, anti aging (Mito Caps: ANTI-AGING AND ENERGY PRODUCTION): Lipid acid ('r'-isomer form, water and fat soluble antioxidant), vitamin E & B6, DMAE (Dimethylaminoethanolbitartrate) and enzymes. Hammer description: Improve energy

production capabilities. Superior antioxidant support. Potential increase in longevity. Better fat metabolism. Gluten-Free and Vegan Friendly.

Other Supplements intended for race performance:

- Anti-Fatigue Caps: With potassium/magnesium aspartate (reduces excess ammonia), L-Citrulline (reduces ammonia) and OKG (alpha-ketoglutarate, non ammonia producing glutamine).
- Race Day Boost: Sodium Phosphate and glutamine claimed to increase performance up to 8%.
- Energy Surge: ATP (adenosine triphosphate) that provides readily available energy for explosive exercises.

Supplements for general health:

- PSA caps: Premium prostate protection
- Appestat: The healthy approach to weight loss
- Phytomax: LIVE GREEN FOOD SUPPORTS PEAK ENERGY
- Boron: Maintain optimal hormone levels

Other (nutrients): Salmon Oil (Omega 3), Xobaline (Increase aerobic capacity), Chromemate, Digest Caps, Iflora

Import Procedures

Dietary Supplements (DS) is a singular category, located between food and drugs, whose products do not require approval by the Federal Drug Agency (FDA) prior to its launch to the market. Despite import of dietary supplements is not subject to the more complex import procedures of other categories, their imports are treated as interstate commerce and are subject to the following:

- Correct and truthful English labeling of products, as required by the Dietary Supplement and Nonprescription Drug Consumer Protection Act.
- Comply with Dietary Supplement Current Good Manufacturing Practice Rule. All agents involved in the transaction (e.g. manufacturing, packaging, labeling, transportation, warehousing) have to follow that set of rules.
- Register manufacturing facility with FDA as a “food facility”. The exporter/importer must designate an agent in US territory that will be the conversational link between the FDA and the company.
- Arrival of imported DS products to the United States needs to be notified in advance to the FDA. Products are subject to inspection upon arrival by the FDA.

Labeling of dietary supplements

Dietary Supplements are vitamins, minerals, herb, other botanicals, amino acids, dietary substances to supplement the diet and any combination or extract of the mentioned before. Its labeling must include:

1. The statement of identity (name of the dietary supplement)
2. The net quantity of contents statement (amount of the dietary supplement),
3. The nutrition labeling
4. The ingredient list
5. The name and place of business of the manufacturer, packer, or distributor.

All these statements can be included both into the principal display panel or the information panel. However, the statement of identity and the net quantity of contents statement must be placed on the principal display panel and into each alternate principal display panel the product has (normally lateral principal displays). Additionally, the "Supplement Facts" panel, the ingredient list, and the name and place

of business of the manufacturer, packer, or distributor must be on the information panel if such information does not appear on the principal display panel, except that if space is insufficient.

The principal display panel of the label is defined by the FDA as “*the portion of the package that is most likely to be seen by the consumer at the time of display for retail purchase. Many containers are designed with two or more different surfaces that are suitable for use as the principal display panel. These are alternate principal display panels*”.

Regarding the information panel, FDA defines it as “*the panel located immediately to the right of the principal display panel as the product is displayed to the consumer. If this panel is not usable, due to package design and construction (e.g. folded flaps), the panel immediately contiguous and to the right of this part may be used for the information panel. The information panel may be any adjacent panel when the top of a container is the principal display panel*”.

As it comes to the size of the fonts used, it is required to use a type size that is “prominent, conspicuous and easy to read. The letters must be at least one–sixteenth (1/16) inch in height based on the lower case letter “o,” and not be more than three times as high as they are wide, unless you petition for an exemption in accordance with 21 CFR 101.2(f). The lettering must contrast sufficiently (it does not need to be black and white) with the background so as to be easy to read.”

The country of origin either of the product or of the ingredients in the product needs to be indicated in its English name. The expiration date is not mandatory, but if included, needs to be supported by valid data.

Dietary Supplement (DS) Current Good Manufacturing Practice (CGMP) Rule

Anyone within the Supply Chain that manufactures, packages, labels or holds any kind of dietary supplement is subject to this rule. In our case, the most provable scenario is an overseas manufacturer, with a freight forwarder moving the product to the US distribution center, the distribution center and a 3PL delivering the product

either to retailers or customers. All these agents might be involved in some degree in the compliance with this rule.

In this scenario, if the distributor used its own label, then he would have “an obligation to know what and how manufacturing activities are performed so that the distributor can make decisions related to whether the packaged and labeled product conforms to its established specifications and whether to approve and release the product for distribution”. Additionally, the distributor will be expected to comply with requirements for holding and distributing as well as to comply with other applicable requirements such as personnel or physical plant and grounds.

The following list clarifies who would not be involved in DS CGMP rule in our scenario, or any general scenario:

- Retailers that have the product in its shelf space. Unless they have an attached or independent warehouse; in which case they are not exempt of the application of the rule.
- Manufacturers of dietary ingredients used by another manufacturer to make a dietary supplement are exempt. However, it is encouraged they comply with the rule. If the dietary ingredient is simply packaged or labeled by another company for sale; or if its directly supplied to consumers, then the ingredient manufacturer is considered a dietary supplement manufacturer and its subject to the rule.
- Providers of raw agricultural commodities for the dietary supplement manufacturer are also exempt.

The DS CGMP Rule is divided in 15 subparts that address the different rules and procedures for CGMP. Additionally, most subparts require to write and follow procedures and/or to keep records. Those subparts and written procedures are listed below. However, the list of records to be kept is extensive and not included in detail. For the approach of this paper, we are going to focus on the subpart M: Holding and Distribution.

Subpart	Written Procedures	Keep Records
A– General Provisions (including coverage and definitions)		
B– Personnel	Fulfilling the requirements for personnel (21 CFR 111.8)	YES
C– Physical Plant and Grounds	Cleaning the physical plant and pest control (21 CFR 111.16)	YES
D– Equipment and Utensils	Fulfilling the requirements for equipment and utensils, including calibrating instruments and controls you use in manufacturing or testing a component or dietary supplement; calibrating, inspecting, and checking automated, mechanical, and electronic equipment; and maintaining, cleaning, and sanitizing, as necessary, all equipment, utensils, and any other contact surfaces that are used to manufacture, package, label, or hold components or dietary supplements (21 CFR 111.25)	YES
E– Requirements to Establish a Production and Process Control System		YES
F– Production and Process Control System: Requirements for Quality Control	The responsibilities of quality control personnel, including written procedures for conducting a material review and making a disposition decision, and for approving or rejecting any reprocessing (21 CFR 111.103)	YES
G– Production and Process Control System: Requirements for Components, Packaging, Labels and for Product that You Receive for Packaging or Labeling as a Dietary Supplement	Fulfilling the requirements for components, packaging, and labels and for product that you receive for packaging or labeling as a dietary supplement (21 CFR 111.153)	YES
H– Production and Process Control System: Requirements for the Master Manufacturing Record		YES
I– Production and Process Control System: Requirements for the Batch Production Record		YES
J– Production and Process Control System: Requirements for Laboratory Operations	Laboratory operations, including written procedures for the tests and examinations you conduct to determine whether specifications are met (21 CFR 111.303)	YES
K– Production and Process Control System: Requirements for Manufacturing Operations	Manufacturing operations (21 CFR 111.353)	YES
L– Production and Process Control System: Requirements for Packaging and Labeling Operations	Packaging and labeling operations (21 CFR 111.403)	YES

M– Holding and Distributing	Holding and distributing operations (21 CFR 111.453)	YES
N– Returned Dietary Supplements	Fulfilling the requirements for returned dietary supplements (21 CFR 111.503)	YES
O– Product Complaints	Fulfilling the requirements for product complaints (21 CFR 111.553)	YES
P– Records and Recordkeeping		

As a distributor, the DS CGMP rule The DS CGMP rule requires to:

1. “Hold components and dietary supplements under appropriate conditions of temperature, humidity, and light so that the identity, purity, strength, and composition of the components and dietary supplements are not affected (21 CFR 111.455(a));
2. Hold packaging and labels under appropriate conditions so that the packaging and labels are not adversely affected (21 CFR 111.455(b));
3. Hold components, dietary supplements, packaging, and labels under conditions that do not lead to the mix-up, contamination, or deterioration of components, in-process materials, dietary supplements, packaging, and labels (21 CFR 111.455(c));”

The distributor is also required to keep samples of sold packaged/labeled dietary supplements on the same envelope used for sale and in the recommended conditions of storage for that product (e.g. if it needs to be refrigerated). The samples need to be kept for either for a year after its shelf life (if applicable) or for two years from the date of distribution of the last batch of dietary supplements associated with the reserve sample.

Additionally, the DS CGMP rule requires distributors to distribute dietary supplements under conditions that will protect the dietary supplements against contamination and deterioration, which is especially important in this case. We have to ensure that product does not result damaged because of low temperatures in air mode (some SKUs are sensible to crystallization by low temperature) or by high temperatures on sea mode. Road transport should not be dangerous to our products.

Finally, the distributor should be aware that he might need to follow additional DS CGMP’s rules in the event of returned dietary supplement (whether the product is

destroyed or released again to distribution) or a product complain (whether from a consumer or from another firm in the manufacturing chain).

Registration of Food Facilities

Either the owner, operator, or agent in charge of a domestic or foreign facility that is engaged in manufacturing/processing, packing, or holding of food for human or animal consumption in the U.S. must register with FDA. Those who don't need to register are: foreign facilities whose product undergoes further manufacturing, farms, retail food establishments, restaurants, nonprofit food establishments, fishing vessels and facilities that are regulated exclusively by the US Department of Agriculture¹.

In our case, this means that both the foreign manufacturing facility and the US distribution facility must be registered with FDA. The foreign manufacturer must also facilitate an emergency contact with name, title, phone number and email address; which will also be considered the facility's US agent unless the facility designates another person.

The registration process can be done online, by fax or by submitting a CD Room with the necessary information. The information to be included in the registration is listed below. Changes regarding this information must be notified to FDA without doing a new registration.

1. The name, full address, and phone number of the facility;
2. The name, address, and phone number of the parent company, if the facility is a subsidiary of the parent company;
3. For domestic and foreign facilities, the names, addresses, and phone numbers of the owner, operator, and agent in charge.
4. For a foreign facility, the name, address, phone number, and emergency contact phone number of its U.S. agent (if there is no other emergency contact designated under Sec. 1.233(c));
5. For a domestic facility, an emergency contact phone number;
6. All trade names the facility uses;

¹ Federal Meat Inspection Act (21 U.S.C. 601 et seq.), the Poultry Products Inspection Act (21 U.S.C. 451 et seq.), or the Egg Products Inspection Act (21 U.S.C. 1031 et seq.);

7. Applicable food product categories as identified in Sec. 170.3 of this chapter, unless you check either "most/all human food product categories," according to Sec. 1.233(e), or "none of the above mandatory categories" because your facility manufactures/processes, packs, or holds a food that is not identified in Sec. 170.3 of this chapter;
8. The name, address, and phone number for the owner, operator, or agent in charge;
9. A statement in which the owner, operator, or agent in charge certifies that the information submitted is true and accurate. If the individual submitting the form is not the owner, operator, or agent in charge of the facility, the registration must also include a statement in which the individual certifies that the information submitted is true and accurate, certifies that he/she is authorized to submit the registration, and identifies by name, address, and telephone number, the individual who authorized submission of the registration. Each registration must include the name of the individual registering the facility submitting the registration, and the individual's signature (for the paper and CD-ROM options).

Supply Chain

Situation

The Powergym factory is located at Carrer Passeig de la Palacagüina, 17401 Arbúcies, Girona. It is a 92km (57miles) trip to Barcelona's port that takes 1h 10' long. The port destination is anyone in the east coast; being New York and New Jersey good candidates for their situation as logistic hubs, located at 6100km (3,800miles). Because the product demand is unknown at the moment, considerations regarding a high demand in the west coast should be taken. Initially, warehousing and/or fulfillment operations are conceived to be located either at the east coast or at the upper north of the US. As said before, this might change if there resulted to be an imbalance in the geographical demand. Additionally, more than one distribution center (DC) should be considered in order to increase customer service. For example, maybe two DCs could deliver online orders within 3 days covering the whole continental US; which is the Amazon.com standard.



Supply Chain Goals

The first step here is to define the supply chain goals. This is important to know what capabilities the SC design needs to be able to achieve. In order to start operations, the challenges in the US for the importer/exporter should be similar as the

next list. It gives a sense of the volume planned to be managed and also the channels thorough which the product should move once it reaches the US.

- Sell thorough specialized stores:
 - o Nationwide chains. Eg. General Nutrition Center (GNC) or Vitamin Shoppe.
 - o Shops for endurance athletes: bikes, running, snow sports, outdoor clothes, etc. This might be a very low volume channel.
- Sell thorough influential professionals (coachers, nutritionists, doctors, physicians, personal trainers, etc.)
- Sell online.
- Sell 20% of the Spain's yearly sales thorough the US after the first year.

There are 4 possible Supply Chain solutions for importing the products. Shipping container loads or LTC loads from Barcelona are Push solutions, therefore holding bigger amounts of inventory. Parcel shipping directly from Spain or air freight are solutions closer to a JIT model or a Pull system. These options are explained in the next chapter.

Solution 1: Container Loads and dedicated Distribution Center

The first solution is to move product from Barcelona's port to NY/NJ port thorough ocean freight using Full Container Load (FCL). Once the product gets to US East coast and it's cleared, it's transported by truck to a dedicated DC in the East coast; where is stored. From there, Truck Loads (TL), Less Than Truckload (LTL) and Parcel shipment can be shipped to fulfill each of the customers' orders, whether they are large retailers or online shoppers.

The main characteristic of this approach is that it has lower overall transportation costs. However it requires high inventory levels (couple of millions of

dollars) and large fixed costs for a dedicated warehouse. Therefore, this approach is recommended only if high volume was expected, which might only be possible if some nationwide specialty retailer was interested in the product. As first entering the market and not having (yet) any contract with any major retailer, this option is not the best approach for starting operations with uncertain volume demand.

Solution 2: Less Than Container Load and shared Distribution Center

In this approach, cargo ships from Barcelona's port to NY or NJ by sea and then is moved by truck to a shared warehouse in the East coast. Logistic costs are higher because we cannot benefit from the economies of scale of the precious solution.

Cost in shared distribution centers is a function that depends not only on occupied space and fulfilled orders, but also of number of SKUs, product arrivals to the DC, average SKUs per pallet, etc. This approach is recommended when volumes are medium or uncertain because it offers a flexible operational capacity at a contained cost.

Solution 3: International Parcel Shipping

In this option, orders are fulfilled directly from Barcelona's factory and handled to a 3PL that will move the goods by air to the most convenient airport in the US, depending on the final destination. This option is expensive and it is possible that shipping costs will be higher than the value of the transported goods. This option must be discarded by its prohibitive costs and only be used in cases of extreme emergency (e.g. there has been a fire in our distribution center).

Solution 4: International Air Freight and Fulfillment Center

In this approach orders are hold for 1 to 3 days until the volume justifies sending by air mode a consolidated shipment to a central US airport (e.g. Chicago). There, a cross dock facility ships every order rapidly to the final customer by parcel

shipping (3PL). This is a fast but expensive method that should be used only when time is a concern (e.g. for stock outs, disruptions in the supply chain, etc.).

Supply Chain Recommendation

The solutions presented are not unique configurations but are the most representative ones. They can suffer minor changes such as locating the DC in the West coast or using more than one Warehouse (WH). Additionally, the operations and services required can be performed either by a single freight forwarder with international capabilities; taking full responsibility from Spain to the US distribution center, or either by many players. If many companies were hired, the best approach might be one company for receiving the goods to the US and the other for managing the operations within the country. This approach gives better understanding of the costs involved in each part of the process but requires more attention by the importer.

The recommended approach is to use LTC ocean freight for taking the goods to the US and then storing them in a shared warehouse. This is because is the less expensive option, second to shipping FCL as in solution 1, but involving less investment capability, less fixed costs and less inventory (that could account for a couple millions of dollars). However, it offers the possibility to move to solution 1 if over time the volumes required justify that option.

Financial Cash Flow

Following is the estimated cash flow for the project. Note that there is no plant, equipment, depreciation expenses or CEO wages. This business is approached as an import operation that will rely on 3PL for all of its logistic operations. Our company responsibilities will include sales, marketing and management. No external financing is considered in this case. A 10% discount rate has been used. Purchase cost and logistic costs are subject to decrease year after year and are noted in the following table. The project is predicted to be profitable within 4 years. Figures in dollars.

Fiscal year ending June 31	Initial Outlay	2014	2015	2016	2017
Sales		50,000	250,000	500,000	1,000,000
Cost of Goods Sold:		75%	68%	61%	59%
Purchase cost 40-60%		55%	50%	45%	45%
Logistic costs 10-20%		20%	18%	16%	14%
Cost of Goods Sold	20,000	37,500	170,000	305,000	590,000
Operating Profit	-20,000	12,500	80,000	195,000	410,000
Other expenses:					
Website	1,000	1,500	5,000	7,500	10,000
SEO & SEM	500	1,500	3,000	5,000	5,000
Content and Media creation	450	1,500	5,000	10,000	15,000
Paid Advertising	0	0	40,000	97,500	205,000
Communication	500	1,500	5,000	10,000	10,000
Wages		10,000	30,000	50,000	100,000
Total Overhead	2,450	16,000	88,000	180,000	345,000
Cash flow	-22,450	-3,500	-8,000	15,000	65,000
Present Value of current year	-22,450	-3,182	-6,612	11,270	44,396
Cumulative present value	-22,450	-25,632	-32,243	-20,974	23,422

Conclusion

The US sports nutrition market is not only the biggest market in the world (60% of world market share) but also is growing at a 7% annual rate. However, many companies know this fact and the market is crowded of an infinite list of supplement brands that assure to be the best. The opportunity is there for companies who understand how to play the game, and many have succeeded.

MusclePharm, founded by a former American football player that sells more than 70M within the first years of existence; or Science in Sport (SiS), a leading UK endurance supplementation brand, are clear examples of that. They have proved that it is possible to stand out of the crowd if a company positions its products adequately to its market segment with the appropriate marketing approach.

Powergym sells advanced scientific products supported by renamed elite athletes, and those are the essential elements from which a brand can connect with its audience. Despite further marketing, rebranding and retargeting work needs to be done; Powergym has the potential to connect with advanced American athletes and convince them to buy.

From a risk stand point, importing from Europe has a high currency risk. However, as euro is strong versus dollar nowadays, if operations are profitable today they are likely to also be profitable in the future; unless a disaster occurs. Anyway, there is the menace of going out of business because of currency concerns.

As it comes to supply chain, it is important to rapidly reach certain volume of operations to incur in economies of scale. This means that, at the beginning, it will be more important to sell than to earn money; with the perspective of acquiring customers (at 0% margin if needed) that will turn into profitable accounts within the

first or second year. This is because our distribution margin will be low and our logistic costs will be high at the beginning, while once we achieve certain volume, margins will improve and established clients will become profitable.

It will also be very important to determinate the size of the initial inventory. Not enough stock means losing customers, which we cannot afford; and too much inventory can sink our finances into red ink. A key element in this equation for the first months might be air freight: Following the get-customer-first, make-profit-later approach; we could always ship the first order of every customer by air and then stock in prevision of following sales. This is particularly attractive, despite losing some profits, when investing capacity is low and cash flow is limited.

Finally, I would like to finish by stating that successful advertising (with a positive ROI) will be needed in case of limited cash. Paid advertising is not always the best option and we should focus on new technological tools, social media, viral communications and mouth-to-mouth recommendations.

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